

## Message Text

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ACTION NEA-10

INFO OCT-01 AF-08 EUR-12 ISO-00 CIAE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
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R 261413Z JAN 77  
FM AMEMBASSY CAIRO  
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INFO AMCONSUL ALEXANDRIA  
AMEMBASSY AMMAN  
AMEMBASSY BEIRUT  
AMEMBASSY DAMASCUS  
AMEMBASSY JIDDA  
AMEMBASSY KHARTOUM  
AMEMBASSY KUWAIT  
AMEMBASSY LONDON  
AMEMBASSY MOSCOW  
AMEMBASSY PARIS  
DIA WASHDC  
USCINCEUR VAIHINGEN GE  
AMEMBASSY TEL AVIV  
AMEMBASSY TRIPOLI  
USMISSION SINAI

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E.O. 11652: GDS  
TAGS: PINT EG  
SUBJECT: GOE MARKS TIME

REF: CAIRO 1434

SUMMARY: GOE ANNOUNCES TERSELY THAT PRES SADAT WILL NOT ADDRESS  
NATION UNTIL END OF COMING WEEK, WHILE PUBLIC PROSECUTOR  
ANNOUNCES DISCOVERY OF FOUR UNDERGROUND COMMUNIST ORGANIZATIONS  
WHICH PLOTTED TO OVERTHROW REGIME DURING RECENT DEMONSTRATIONS.  
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MINFIN PUBLICIZING NEW TAX PACKAGE WHICH SOON TO GO TO PEOPLE'S  
ASSEMBLY, ALTHOUGH TAXES PROPOSED MAY NOT GO FAR ENOUGH IN  
PUBLIC EYE TO SOAK CONSPICUOUSLY RICH. IMF AND IBRD  
DELEGATIONS MEETING WITH MINECON, BUT MASS CIRCULATION DAILIES  
NOW DOWN-PLAYING IDEA OF HELP FROM RICH ARABS AND CONCENTRATING  
ON SELF-HELP. END SUMMARY.

1. TERSE ANNOUNCEMENT THAT PRES SADAT HAS POSTPONED HIS ADDRESS TO NATION UNTIL LATE NEXT WEEK IN ORDER TO MAKE SPEECH MORE "COMPEHENSIVE") COINCIDES WITH RETURN OF LOCAL DAILIES JANUARY 26 TO BANNER HEADLINE TREATMENT OF ORGANIZED COMMUNIST CONSPIRACY AGAINST GOE. PUBLIC PROSECUTOR HAS ANNOUNCED "DISCOVERY" OF FOUR SEPARATE, SECRET COMMUNIST NETWORKS: COMMUNIST PARTY OF EGYPT, REVOLUTIONARY CURRENT, COMMUNIST WORKERS PARTY, AND JANUARY 8 MOVEMENT. APPROXIMATELY 200 MEMBERS OF THESE ORGANIZATIONS CURRENTLY UNDER DETENTION AND PUBLIC PROSECUTOR ANNOUNCED INVESTIGATION TO BE COMPLETED WITHIN 10 DAYS. INVESTIGATIONS OF OTHER DETAINEES, NOT INVOLVED WITH COMMUNIST ORGANIZATIONS, TO BE COMPLETED WITHIN ONE WEEK.

2. COMMENT: FOUR COMMUNIST ORGANIZATIONS "DISCOVERED" BY PUBLIC PROSECTUROR HAVE, IN FACT, BEEN KNOWN TO SECURITY SERVICES FOR SOME TIME. WELL-KNOWN EGYPTIAN MARXIST WRITER MUHAMMAD SID AHMAD TOLD BRITISH AMBASSADOR THAT COMMUNIST WORKERS PARTY, ORGINALLY ACCUSED BY MININT FAHMY OF FOMENTING DISTURBANCES, IN FACT EXISTS AND IS ANTI-SOVIET GROUPING NOT ALLIED WITH CHINESE. (ASU FIRST SECRETARY KHALIL TOLD EMBOFFS JANUARY 26 THAT IT TAKES ORDERS FROM PFLP LEADER HABASH).

ALTHOUGH LEFTIST EXPLOITATION (VICE INSITUGATION) OF DISTURBANCES CERTAINLY OCCURRED, BALLYHOO CONCERNING COMMUNIST GROUPS MAY BE SMOKE SCREEN WHILE GOE GRAPPLES WITH INTRACTABLE ECONOMIC PROBLEMS. LEFTISTS ARE TRYING TO EXPLOIT TENSE SITUATION. COMMUNIST STUDENTS ARRESTED JANUARY 25 IN MAHALLA AL-KUBRA (TEXTILE CENTER) FOR DISTRIBUTING LEAFLETS INCITING TO RIOT.

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FONMIN FAHMY ALSO INFORMED AMBASSADOR THAT LARGE CACHE OF ANTI-REGIME LEAFLETS UNEARTHED IN TANTAWH

3. ON ECONOMIC FRONT, LOCAL PRESS CARRIES PROMINENT FRONT PAGE REPORTS THAT FINMIN HAMID PUTTING FINISHING TOUCHES ON TAX-REFORM PACKAGE TO BE PRESENTED TO PA (SEPTEL NOTAL). OFFICIAL MINISTRY SOURCE NOTES THAT PER ANNUM INCOMES TO BE EXEMPTED FROM INCOME TAX BEING RAISED FROM L.E. 360 TO L.E. 480. INCREASED EXEMPTIONS ARE ALSO INCLUDED FOR DAY LABORERS AND THERE ARE ADDITIONAL NEW TAXES OF VARIOUS KINDS ON UPPER MIDDLE CLASS ITEMS.

4. COMMENT: TAX PACKAGE APPEARS GEARED TO APPEASE LOWER MIDDLE CLASS, BUT WHETHER NEW TAXATION WILL ASSUAGE GROWING PUBLIC RESENTMENT OVER CONSPICUOUS CONSUMPTION OF "FAT CATS" AND LEFTIST DEMANDS FOR VIRTUALLY PUNITIVE TAXATION OF BIG SPENDERS REMAINS TO BE SEEN. NEW TAXATION BILL REPORTEDLY ALSO REDUCES TAXATION MAXIMUM ON INCOMES OVER L.E. 10,000 FROM PREVIOUSLY CONFISCATORY 95 PERCENT, IN EFFORT TO REDUCE TAX EVASION AND

SPUR INVESTMENT, BUT GOE WILL HAVE TO TREAT THIS ISSUE VERY CAREFULLY OR RISK ACCUSATION OF CODDLING "PARASITES".

5. GUMHURIYYA MAIN STORY COVERS MEETING OF ECONMIN SAYIH WITH IMF REPS AND NOTES THAT SAYIH TO MEET WITH IBRD DELEGATION JANUARY 27. IN CONTRAST TO PREVIOUS DAY'S GLOWING REPORTS RE INFUX OF IMF/IBRD AID, GUMHURIYYA NOTES THAT ECONOMIC MEASURES DISCUSSED IN "ATMOSPHERE OF UNDERSTANDING".

6. THERE IS REMARKABLE CHANGE IN PRESS EMPHASIS JANUARY 26 ON HOW ECONOMIC SITUATION CAN BE IMPROVED. MINFO HAD ORCHESTRATED PRESS COMMENTARIES ON SUBJECT THAT RICH ARABS OWE EGYPT A DECENT LIVING. TODAY, ONLY LIMITED CIRCULATION ENGLISH LANGUAGE GAZETTE AND WEEKLY AKHAR SA'A BEAT THIS DRUM. MASS CIRCULATION DAILIES CONCENTRATE INSTEAD ON SELF-HELP. AHRAM HAS FRONT PAGE LIST OF CITIZENS WHO HAVE CONTRIBUTED WHAT THEY CAN (FROM L.E. 1000 TO L.E. 1) TO

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CORRECT THE DEFICIT.

7. ON POLITICAL FRONT, ARAB SOCIALIST PARTY ATTEMPTING TO INCREASE ITS SAGGING CREDIBILITY. MAHMUD ABU WAFIYA (MRS. SADAT'S BROTHER IN LAW) RESIGNED AS SECGEN OF PARTY "FOR HEALTH REASONS" AND PARTY EXPelled 'ALWI HAFIZ, WHO CAUSED EMBARRASSMENT RECENTLY WITH IMPOLITIC ATTACKS ON NASSER. (COMMENT: ASU FIRST SECRETARY MUSTAFA KHALIL RECENTLY TOLD US THAT ABU WAFIYA AND HAFIZ AMONG WEAKEST ELEMENTS IN ASP.)

8. COMMENT: SADAT'S CONTINUING PUBLIC SILENCE HAS EVOKED CONSIDERABLE LOCAL SPECULATION. PERHAPS HE IS DELAYING HIS SPEECH UNTIL HE CAN ANNOUNCE SPECIFIC PLEDGES FROM ARAB DONOR STATES. IT APPEARS GOE REVVING UP COMMUNIST INVESTIGATION AGAIN TO KEEP POT BOILING IN MEANTIME. AS YET, THERE NO INDICATION THAT GOE HAS AGREED UPON ANY DRASTIC MEASURES TO ALLEVIATE CAUSES OF RECENT RIOTING.

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## Message Attributes

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**Review Markings:**  
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